

**PRESS RELEASE**

For Immediate Release

**COMINAR ANNOUNCES 2019 SECOND QUARTER RESULTS, CONTINUED IMPROVEMENT IN ORGANIC GROWTH AND NEW STRATEGIC INITIATIVES**

Québec City, Quebec, August 8, 2019 – Cominar Real Estate Investment Trust (“Cominar” or the “REIT”) (TSX: CUF.UN) is pleased to announce its results for the second quarter ended June 30, 2019.

**2019 SECOND QUARTER – HIGHLIGHTS**

- 2.2% growth in same property net operating income
- Increase in our SPNOI guidance to 1.5% - 2.5% from 1.0% - 2.0% previously
- Increase in the committed occupancy rate from 93.1% to 93.9% and the in-place occupancy rate from 86.5% to 89.9%
- 2.8% growth in the average net rent of renewed leases
- \$3.9 million restructuring costs primarily related to severance benefits related to workforce optimization
- Completion of a comprehensive review of our business and creation of a concrete plan to accelerate NOI growth, optimize the portfolio, reduce leverage and maximize our asset value.

*“During the second quarter of 2019 several of our key metrics showed strong improvement, including in-place occupancy which increased to 89.9%, rent increases on renewals of 2.8% and growth in same property NOI of 2.2%,” said Sylvain Cossette, President and Chief Executive Officer of Cominar. “We have started to implement a number of organizational and strategic initiatives with the goal of unlocking value. We are committed to optimizing our portfolio, further growing our NOI and strengthening our balance sheet as we create a new paradigm for how we work to create value. The enthusiasm of our senior management team about our strategic initiatives and the future growth potential of Cominar is an important catalyst for delivering stronger operating results and driving our net asset value” added Mr. Cossette.*

*“Our second quarter results demonstrate our ability to accelerate NOI growth, de-risk the balance sheet, and proceed with selective dispositions in order to drive performance and enhance portfolio quality”, stated Heather C. Kirk, Executive Vice President and Chief Financial Officer. “The financing initiatives that we have taken in 2019 put us in a strong liquidity position and provide ample flexibility to refinance our debt maturities. Year to date, we have refinanced our credit facility giving us immediate access to up to \$400 million of liquidity, we have completed \$382 million of new mortgage financings including those closed post quarter and issued \$200 million of unsecured debentures. We are also finalizing the terms of an additional \$300 million secured credit facility expected to close during the third quarter. We are also pleased that our operating performance has exceeded our forecasts, allowing for an increase in our 2019 SPNOI guidance range to 1.5% to 2.5%. In addition, we are confident our strategic initiatives will position us to continue to accelerate our organic growth and maximize the value of our portfolio” added Ms. Kirk.*

## **FINANCIAL AND OPERATING HIGHLIGHTS**

- Net income for the quarter ended June 30, 2019, amounted to \$51.5 million compared to \$46.4 million in 2018
- Included in net income is a \$3.9 million provision for restructuring costs related to streamlining our workforce in connection with our strategic repositioning. We have reduced our workforce by 67 employees since the beginning of the year and continue to explore means to increase our efficiency.
- Adjusted net income<sup>(1)</sup> for the quarter ended June 30, 2019 was \$50.3 million compared to \$51.4 million for last year's comparable quarter. Adjusted Net Income declined year over year due primarily to the sale of \$201.2 million of properties between June 30, 2018 and June 30, 2019 and a \$0.7 million increase in finance charges, partially offset by a \$1.9 million increase in same property net operating income.
- FFO<sup>(1)</sup> per unit was \$0.26 for Q2 2019, compared to \$0.27 per unit for Q2 2018. The decrease was due mainly to the decrease in NOI related to dispositions and restructuring costs and partially offset by a decrease of \$3.7 million in Trust administrative expense. Excluding \$3.9 million of restructuring costs, FFO per unit for Q2 2019 was \$0.28.
- AFFO<sup>(1)</sup> per unit was \$0.18 for Q2 2019, compared to \$0.21 per unit for Q2 2018. Excluding restructuring costs of \$3.9 million recorded in Q2 2019, AFFO was \$0.20 per unit. AFFO decreased for the same reasons as FFO and due to a \$0.9 million increase in the provision for leasing costs and a \$1.7 million increase in maintenance capital expenditures.
- AFFO payout ratio<sup>(1)</sup> for Q2 2019 increased to 100.0% from 85.7% for Q2 2018. Excluding restructuring costs of \$3.9 million recorded in Q2 2019, the AFFO payout ratio was 90.0%.
- Same property NOI (SPNOI) for Q2 2019 was \$90.3 million compared to \$88.4 million for Q2 2018, resulting in a 2.2% year-over-year increase driven by 7.1% growth in the industrial and flex portfolio combined with 2.5% growth in the office portfolio, which was partially offset by a decrease of 1.6% in the retail portfolio. The increase in SPNOI was mainly related to an increase in average in-place occupancy for all property types and for all geographic markets.
- The growth in the average net rent of renewed leases was 2.8% in Q2 2019, compared to 0.4% in Q2 2018. Renewal rent growth was driven by a strong 9.8% increase in the industrial and flex portfolio, a 2.3% increase in the office portfolio partially offset by a 1.4% decrease in the retail portfolio.
- The retention rate on expiring leases was 57.9% in Q2 2019 versus 57.0% in Q2 2018. During the first half of 2019, we renewed 2.9 million square feet and signed 1.5 million square feet of new leases representing 87.3% of 2019 expiring leasable area.
- Committed occupancy increased 80 bps year-over-year to 93.9% as at June 30, 2019, from 93.1% as at June 30, 2018. In-place occupancy was 89.9% as at June 30, 2019, up 340 bps from 86.5% as at June 30, 2018.
- Our weighting to industrial and flex properties as a percentage of NOI has increased to 25.1% for the quarter ended June 30, 2019, compared to 23.9% for the quarter ended June 30, 2018. The contribution of our office portfolio remained essentially stable at 40.2% and our retail weighting decreased to 34.7% from 35.9%.

## **BALANCE SHEET AND LIQUIDITY HIGHLIGHTS**

- The debt ratio was 54.2% as at June 30, 2019, down from 55.3% at year-end 2018 and up from 52.0% as at June 30, 2018. The decrease compared to year-end 2018 is related primarily to property dispositions while the year over year increase reflects write-downs in assets of \$387.5 million taken in 2018.
- Debt to EBITDA as at June 30, 2019 was 10.4x compared to 10.3x as at December 31, 2018 and 9.3x as at June 30, 2018.
- As at June 30, 2019, the unencumbered asset ratio was 1.50:1, down from 1.53:1 as at December 31, 2018. Our pool of unencumbered properties totalled \$2.5 billion at June 30, 2019.
- Unsecured debt to net debt was 48.0% at June 30, 2019, down from 51.8% at December 31, 2018.
- On May 15, 2019, the Company issued a \$200 million unsecured debenture (Series 11) at a coupon of 4.50% with a 5-year term.
- As at June 30, 2019, Cominar had \$10.1 million of cash on hand and \$423.9 million of availability on its \$500 million unsecured renewable operating and acquisition credit facility.

## **INVESTMENT HIGHLIGHTS**

- For the quarter ended June 30, 2019, investments in income properties including capital expenditures, leasing costs and leasehold improvements totalled \$31.6 million, down 47.8% from \$60.6 million for last year's comparable period. Including investments in development activities, capital expenditures for the quarter totalled \$39.3 million, down 39.2% from \$64.7 million in Q2 2018.
- Assets held for sale as at June 30, 2019 totalled \$46.7 million, a decrease from \$188.7 million at December 31, 2018, mainly due to the sale of properties for gross proceeds of \$74.4 million during the first quarter and \$113.9 million during the second quarter. The REIT is pursuing further portfolio optimization through selective asset sales and is still targeting approximately \$300 million of dispositions in 2019.
- Subsequent to quarter end, Cominar completed the sale of one income property for total gross proceeds of \$14.0 million at a value in line with our IFRS value.

## **STRATEGIC INITIATIVES**

We have completed our strategic assessment announced in earlier in 2019 and have begun to implement numerous initiatives to accelerate our NOI and AFFO growth, create value in our portfolio and create a culture of real estate investing excellence.

Our plan is the result of a comprehensive review of our business undertaken over the last several months to better understand the reasons for our past underperformance and to identify how core issues can be rectified in order to unlock unitholder value. We have created a transformation plan structured to deliver operating efficiencies, accelerate NOI growth and crystallize untapped portfolio value in order to generate short term and long-term value for unitholders.

The plan includes:

- A series of concrete actions to add additional revenue streams, reduce operating costs and streamline G&A, which are to have a collective positive impact on FFO and materially accelerate our organic growth. Initiatives include new sources of revenue, workforce optimization, outsourcing arrangements, operating cost reductions, process automation, leveraging technology and lease auditing among others.
- Creation of a dedicated asset management platform to maximize portfolio returns and enhance the investment decision-making process. We are currently executing a full asset management review of the REIT's portfolio, commencing with our top 20 properties, to formalize business plans for each asset in order to optimize the investment decisions and maximize the value of our assets. Our business plans include value creation strategies for each asset through NOI maximization, intensification of sites with excess density and repositioning/reconfiguration as well as rigorous investment analysis upon which our hold, recapitalize or sell decisions are based.
- A disciplined reduction in leverage to a targeted approximate 50% debt-to-asset value by the end of 2021 through growing EBITDA, higher retained cash flow, driving growth in our portfolio value and selective dispositions. Our portfolio is located in strong markets where we believe that driving EBITDA and portfolio value can make a positive contribution to leverage reduction.

In connection with our strategic initiatives we have taken a \$3.9 million provision in Q2 2019 consisting primarily of severance payments related to the reduction of our workforce by 67 employees since the beginning of the year.

In order to de-risk the execution of our transformation we also have undertaken a number of steps to ensure seamless implementation of the plan:

- We have implemented a Change Management Office to oversee execution of the plan and bring focus, support and accountability to our initiatives.
- We have explicit accountability. We have created a management report card that tracks progress towards our goals with board oversight.

The plan is already being executed, we are building momentum through quick wins and our team of seasoned leaders is committed to our new strategic direction.

In recent weeks, we have added two more experienced and highly qualified executives with a demonstrated ability to effect change and create value: Mélanie Vallée as Vice-President Data and Technology and Alexandra Faciu as Executive Director Asset Management. Over the past twelve months, we have transformed our senior management team to put the right talent in the right roles in order to create a culture of excellence, improve capital allocation, drive operating performance and create value for unitholders. The result is a dynamic and talented management team that brings a wealth of industry experience, new perspectives and a commitment to excellence.

Communication with our stakeholders is an important component of our plan and we look forward to presenting the full extent of our strategic initiatives at our investor day in Toronto on September 26<sup>th</sup>, 2019.

## **NON-IFRS FINANCIAL MEASURES**

*Net operating income, funds from operations (FFO), adjusted funds from operations (AFFO) and adjusted net income are not measures recognized by International Financial Reporting Standards (IFRS) and do not have standardized meanings prescribed by IFRS. Such measures may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to similar measures reported by such other entities.*

## **RESULTS OF OPERATIONS**

| For the periods ended June 30                 | Quarter         |          | Year-to-date (six months) |                     |
|---|-----------------|----------|---------------------------|---------------------|
|   | 2019            | 2018     | 2019                      | 2018 <sup>(1)</sup> |
|   | \$              | \$       | \$                        | \$                  |
| Operating revenues                            | <b>176,627</b>  | 177,047  | <b>358,571</b>            | 385,912             |
| Operating expenses                            | <b>(87,644)</b> | (87,234) | <b>(182,903)</b>          | (195,553)           |
| <b>Net operating income<sup>(2)</sup></b>     | <b>88,983</b>   | 89,813   | <b>175,668</b>            | 190,359             |
| Finance charges                               | <b>(36,398)</b> | (35,669) | <b>(73,149)</b>           | (79,471)            |
| Trust administrative expenses                 | <b>(3,838)</b>  | (7,580)  | <b>(9,291)</b>            | (12,835)            |
| Change in fair value of investment properties | <b>8,291</b>    | —        | <b>8,070</b>              | (4,331)             |
| Share of joint ventures' net income           | <b>1,503</b>    | 1,448    | <b>2,891</b>              | 2,533               |
| Transaction costs                             | <b>(3,151)</b>  | (1,427)  | <b>(4,490)</b>            | (19,981)            |
| Restructuring costs                           | <b>(3,916)</b>  | —        | <b>(3,916)</b>            | —                   |
| <b>Net income before income taxes</b>         | <b>51,474</b>   | 46,585   | <b>95,783</b>             | 76,274              |
| <b>Income taxes</b>                           |                 |          |                           |                     |
| Current                                       | —               | (140)    | —                         | (6,391)             |
| Deferred                                      | —               | —        | —                         | 6,539               |
|   | —               | (140)    | —                         | 148                 |
| <b>Net income and comprehensive income</b>    | <b>51,474</b>   | 46,445   | <b>95,783</b>             | 76,422              |

(1) The six-month period ended June 30, 2018 includes results of 95 non-core properties sold to Slate for total consideration of \$1.14 billion during the first quarter of 2018.

(2) Non-IFRS financial measure.

## SAME PROPERTY NET OPERATING INCOME

| For the periods ended June 30  | Quarter       |        |       | Year-to-date (six months) |         |       |
|--|---------------|--------|-------|---------------------------|---------|-------|
|  | 2019          | 2018   | % Δ   | 2019                      | 2018    | % Δ   |
|  | \$            | \$     |       | \$                        | \$      |       |
| <b>Property type</b>   |               |        |       |                           |         |       |
| Office   | <b>36,960</b> | 36,068 | 2.5   | <b>70,988</b>             | 69,360  | 2.3   |
| Retail   | <b>30,513</b> | 30,996 | (1.6) | <b>60,545</b>             | 61,670  | (1.8) |
| Industrial and flex  | <b>22,857</b> | 21,337 | 7.1   | <b>45,296</b>             | 42,121  | 7.5   |
| <b>Same property NOI – Cominar’s proportionate share<sup>(1)</sup></b>                     | <b>90,330</b> | 88,401 | 2.2   | <b>176,829</b>            | 173,151 | 2.1   |
| <b>Distribution</b>  |               |        |       |                           |         |       |
| Same property portfolio – Financial statements   | <b>87,922</b> | 85,939 |       | <b>172,062</b>            | 168,576 |       |
| Same property portfolio – Joint ventures   | <b>2,408</b>  | 2,462  |       | <b>4,767</b>              | 4,575   |       |
| <b>Same property portfolio<sup>(1)</sup> – Cominar’s proportionate share<sup>(2)</sup></b> | <b>90,330</b> | 88,401 |       | <b>176,829</b>            | 173,151 |       |

(1) The same property operating revenues includes the results of properties owned by Cominar as at December 31 2017, with the exception of results from the properties sold, acquired and under development in 2018 and 2019, as well as the rental income arising from the recognition of leases on a straight-line basis.

(2) Non-IFRS financial measure.

## FUNDS FROM OPERATIONS (FFO) AND ADJUSTED FUNDS FROM OPERATIONS (AFFO)

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and funds from operations and adjusted funds from operations:

| For the periods ended June 30  | Quarter            |             | Year-to-date (six months) |                     |
|--|--------------------|-------------|---------------------------|---------------------|
|  | 2019               | 2018        | 2019                      | 2018 <sup>(1)</sup> |
|  | \$                 | \$          | \$                        | \$                  |
| <b>Net income</b>  | <b>51,474</b>      | 46,445      | <b>95,783</b>             | 76,422              |
| Taxes on disposition of properties   | —                  | 140         | —                         | 6,391               |
| Deferred income taxes  | —                  | —           | —                         | (6,539)             |
| Initial and re-leasing salary costs  | <b>758</b>         | 897         | <b>1,602</b>              | 1,906               |
| Change in fair value of investment properties <sup>(2)</sup>               | <b>(8,291)</b>     | —           | <b>(8,070)</b>            | 4,331               |
| Capitalizable interest on properties under development<br>– joint ventures | <b>181</b>         | 154         | <b>355</b>                | 308                 |
| Transaction costs  | <b>3,151</b>       | 1,427       | <b>4,490</b>              | 19,981              |
| <b>FFO<sup>(2)(3)</sup></b>  | <b>47,273</b>      | 49,063      | <b>94,160</b>             | 102,800             |
| Provision for leasing costs  | <b>(8,020)</b>     | (7,153)     | <b>(16,449)</b>           | (14,306)            |
| Recognition of leases on a straight-line basis <sup>(2)</sup>              | <b>37</b>          | (234)       | <b>(126)</b>              | (857)               |
| Capital expenditures – maintenance of rental income<br>generating capacity | <b>(5,849)</b>     | (4,100)     | <b>(10,617)</b>           | (7,782)             |
| <b>AFFO<sup>(2)(3)</sup></b>   | <b>33,441</b>      | 37,576      | <b>66,968</b>             | 79,855              |
| <b>Per unit information:</b>   |                    |             |                           |                     |
| FFO (FD) <sup>(3)(4)</sup>   | <b>0,26</b>        | 0,27        | <b>0,52</b>               | 0,56                |
| AFFO (FD) <sup>(3)(4)</sup>  | <b>0,18</b>        | 0,21        | <b>0,37</b>               | 0,44                |
| Weighted average number of units outstanding (FD) <sup>(4)</sup>           | <b>182,332,532</b> | 182,197,342 | <b>181,279,623</b>        | 182,427,900         |
| Payout ratio of AFFO <sup>(3)(4)</sup>                                     | <b>100.0%</b>      | 85.7%       | <b>97.3%</b>              | 97.7%               |

(1) FFO and AFFO for the six-month period ended June 30, 2018 include results of 95 non-core properties sold for total consideration of \$1.14 billion during the first quarter of 2018.

(2) Including Cominar's proportionate share in joint ventures.

(3) Non-IFRS financial measure.

(4) Fully diluted.

Excluding 2019 restructuring costs of \$3.9 million, FFO was \$51.2 million and AFFO was \$37.4 million, or \$0.20 per unit, and AFFO payout ratio was 90.0%.

## OCCUPANCY RATES

| Property Type          | Montreal     |              | Québec City  |              | Ottawa       |              | Total        |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                        | Committed    | In-Place     | Committed    | In-Place     | Committed    | In-Place     | Committed    | In-Place     |
| Office                 | 89.1%        | 85.3%        | 97.7%        | 95.3%        | 93.9%        | 87.3%        | 92.0%        | 87.9%        |
| Retail                 | 94.4%        | 86.7%        | 92.2%        | 85.6%        | 84.9%        | 55.0%        | 93.1%        | 85.0%        |
| Industrial and flex    | 95.4%        | 94.0%        | 96.4%        | 95.3%        | N/A          | N/A          | 95.6%        | 94.3%        |
| <b>Portfolio total</b> | <b>93.4%</b> | <b>90.0%</b> | <b>95.1%</b> | <b>91.3%</b> | <b>92.9%</b> | <b>82.4%</b> | <b>93.9%</b> | <b>89.9%</b> |

## **ADDITIONAL FINANCIAL INFORMATION**

Cominar's condensed interim consolidated financial statements and interim management's discussion and analysis for the second quarter of 2019 are filed with SEDAR at [sedar.com](http://sedar.com) and are available on Cominar's website at [cominar.com](http://cominar.com).

## **CONFERENCE CALL ON AUGUST 8, 2019**

On **Thursday, August 8, 2019 at 11 a.m.** (ET), Cominar's management will hold a conference call to present the results for the second quarter of 2019. In order to participate please dial **1 888 390-0546**. A presentation will be available before the conference call on the REIT's website at [cominar.com](http://cominar.com), under the Conference Call header. In addition, a replay of the conference call will be available from Thursday, August 8, 2019 at 2 p.m. to Thursday, August 15, 2019 at 11:59 p.m., by dialing **1 888 390-0541** and entering passcode: **141147#**.

## **PROFILE AS AT AUGUST 8, 2019**

Cominar is one of the largest diversified real estate investment trust in Canada and is the largest commercial property owner in the Province of Québec. The REIT owns a real estate portfolio of 333 properties in three different market segments, that is, office properties, retail properties and industrial and flex properties. Cominar's portfolio totals 36.5 million square feet located in the Montreal, Québec City and Ottawa areas. Cominar's primary objectives are to maximize unit value through the proactive management of its properties.

## **FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements with respect to Cominar and its operations, strategy, financial performance and financial position. These statements generally can be identified by the use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intend", "believe" or "continue" or the negative thereof or similar variations and the use of conditional and future tenses. The actual results and performance of Cominar discussed herein could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulation and the factors described under "Risk Factors" in Cominar's Annual Information Form. The cautionary statements qualify all forward-looking statements attributable to Cominar and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this press release. Cominar does not assume any obligation to update the aforementioned forward-looking statements, except as required by applicable laws.

For further information:

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